MINNESOTA DEPARTMENT OF COMMERCE

85 7TH PLACE EAST, SUITE 500
SAINT PAUL, MINNESOTA 55101-2198
MN.GOV/COMMERCE
651.539.1500 FAX: 651.539.1547
AN EQUAL OPPORTUNITY EMPLOYER

March 20, 2015

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: **Recommendations of the Minnesota Department of Commerce in the Matter of the Application by Northern States Power Company for Authority to Increase Rates for Electric Service in Minnesota**
Docket No. E002/GR-13-868

Dear Mr. Wolf:

Attached is a copy of the Decision Options recommended by the Minnesota Department of Commerce, Division of Energy Resources (Department) in the matter noted above. In a few categories, the Department listed two options, with rankings noted.

The Department's Decision Alternatives include one additional recommendation that is not specifically listed on the Commission's Deliberation Outline. The Department's additional recommendation is as follows:

> Xcel's statements regarding what it has characterized as a "2016 Deficiency" are not relevant to this 2014 and 2015 rate case. Seeking higher rates in this present rate case in order to address a possible future deficiency that would be outside of the 2014 test year and 2015 Step is contrary to traditional ratemaking standards. Whether there will be a deficiency or overage in any particular future year is not a matter before the Commission, nor is there an issue for decision as to when or under what terms Xcel may choose to file a future electric rate case.

The Department is available to answer any questions.

Sincerely,

/s/ DALE V. LUSTI
Financial Analyst

DVL/ja
Attachment

RECOMMENDATIONS OF THE MINNESOTA DEPARTMENT OF COMMERCE

March 20, 2015, Additional DOC Recommendation:

Xcel's statements regarding what it has characterized as a "2016 Deficiency"[1] are not relevant to this 2014 and 2015 rate case. Seeking higher rates in this present rate case in order to address a possible future deficiency that would be outside the 2014 test year and 2015 Step is contrary to traditional ratemaking standards. Whether there will be a deficiency or overage in any particular future year is not a matter before the Commission, nor is there an issue for decision as to when or under what terms Xcel may choose to file a future electric rate case.

I. ALJ REPORT

2. Adopt the ALJ's Report and recommendation with modifications to one or more of the following issues and to the extent the ALJ's Report is consistent with the decisions made by the Commission at this meeting.

II. FINANCIAL (VOLUME II)

A. Pension-Related Decision Alternatives

1. Qualified Pension Discount Rate Assumption

c) Direct the Company to use the Expected Return on Assets (EROA) value (7.25 percent) as the discount rate to determine its XES Plan pension costs for ratemaking purposes; and adopt the Department's revisions to ALJ Finding 126.

e) Direct the Company to apply the Commission-approved discount rate point of reference when determining the XES Plan cost subject to deferral (or reversal) in subsequent years (i.e., non-rate case test-years) as the 2012 mitigation is continued (Docket E-002/GR-12-961).

2. Optional Revisions to the ALJ Findings on Pension Discount Rate

a) Delete the entire sentence, "For that reason, use of the FAS 87 bond-matching discount rate will help ensure that the XES Plan, which is subject to FAS 87, is fully funded" from the ALJ Report Finding 126. (This option is incorporated in II.A.1.c above).

b) Adopt the Department's revisions to ALJ Finding 104

c) Adopt the Department's revisions to ALJ Finding 113

[1] Xcel's Proposed Use of Rate Moderation Tools at 1 (distributed by Xcel on March 19, 2015 and referenced in its oral argument to the effect that it may avoid filing a 2016 rate case if its 2014-2015 rates are sufficient).

3. Qualified Pension Fund 2008 Market Loss

   a) Reduce the 2008 Market Loss amount currently included in the test-year pension cost by one-half when determining the allowable pension cost level in this proceeding; and adopt the Department's revisions to ALJ Findings 149, 151, 152 and 158.

4. Optional Issues Related to 2008 Market Loss

   a) We would appreciate clarification on the Commission's intent. Our understanding based on facts in that proceeding is:

      (1) The 2008 Market Loss inclusion in determining approved recoverable pension costs was limited to the Company's 2012 rate case, Docket No. E-002/GR-12-961 and not allowed to be carried over into future rate cases.

   b) Require the Company to deposit into the pension fund, at a minimum, the ratemaking approved pension cost amount each year until the Commission directs it to do otherwise.

   c) Expand the generic pension inquiry, from the Commission's October 28, 2014 Order in Docket G-011/GR-13-617, to include discussion on pension investment risk/rewards and ratepayers impacts.

5. Optional Revisions to ALJ Findings on 2008 Market Loss
   a) Adopt the Department's revisions to ALJ Finding 150
   b) Adopt the Department's revisions to ALJ Finding 153
   c) Adopt the Department's revisions to ALJ Finding 154
   d) Adopt the Department's revisions to ALJ Finding 155
   e) Adopt the Department's revisions to ALJ Finding 156
   g) Adopt an alternative revision to ALJ Finding 157

6. Qualified Pension Mitigation Alternatives

   a) Permit the 2012 rate case (Docket No. E-002/GR-12-961) qualified pension mitigation to continue (XES Plan capped at 2011 qualified pension cost level).

   Preferred

   e) Adopt the Department's modifications to the Company's five-year pension mitigation proposal, alternative two, which sets rates to a five-year average of the projected qualified pension expense level calculated using a discount rate equal to the expected return on assets (EROA) of 7.25 percent. The difference between this normalized amount and the lower of either that year's actual qualified pension expense amount (calculated using by setting the discount rate to equal the EROA), or the 2014 study's projected expense for that year (Table 3 , Column B), would be deferred. Deferred amounts are not included in rate base and future recovery of any deferred amounts is not presumed granted, rather the Company will be required to make a case and show why the amortized deferred amount should be allowed rate recovery

Alternative

g) Approve a 2014 Xcel qualified pension expense level in rates calculated using the Commission-approved discount rate. Direct that the excess of the 2014 amount allowed in rates over future years' qualified pension expense, also calculated using the Commission approved discount rate point-of-reference, is to be applied toward the recovery of the accumulated deferred XES Plan costs resulting from the 2012 rate case mitigation cap. Clarify that "future years" is to mean 2015 and each subsequent year's qualified pension expense if not a rate case test-year. Clarify that the recoverable XES Plan expense amount is to be calculated using the proximate measurement date appropriate for each operating year (12/31/2013 for 2014; 12/31/2014 for 2015, etc.) until the next rate case. Require the Company to file annual compliance reports which provides pension plans' cost calculation reports, the XES Plan accumulated deferred balance and the excess rate level recovery applied toward satisfying the deferral. Deferred amounts are not included in rate base.

7. Prepaid Pension Asset

The Department did not file testimony on this issue. However, we recommend

d) Clarify that the Commission decision on the rate base treatment of a qualified pension asset (or liability) is decided on a case-by-case manner.

8. Pension-Related Future Case Filing Requirements

a) Direct the Company in the initial filing its next rate case to address why the Company's target asset allocations for its pension fund are reasonable, including ages of retirees and employees. The Company is to provide an update to its existing Exhibit 31, Schedule 1 (Tyson Rebuttal) and expand it to include this demographic information.

b) Direct the Company in the initial filing of its next rate case to provide testimony on its investment strategies and target asset allocations for the qualified pension fund and the justifications for those decisions, for the period from 2007 to the date of its next filing.

c) Direct the Company in the initial filing its next rate case to provide copies of the actuarial reports used to determine employee benefit costs, including its schedules denoting each subsidiary's cost assignments for each benefit. The Company should also include workpapers that show the derivation of the jurisdictional portion of each benefit cost.

d) Direct the Company in the initial filing its next rate case to provide testimony that identifies and discusses each non-qualified employee benefit cost included in its test years.

e) Direct the Company in the initial filing of its next rate case to include testimony identifying the basis used for its requested rate base impact related to pensions. Additional schedules should be included that reflect the underlying calculation of the qualified pension asset (or liability) balances requested for rate base inclusion.

f) Direct the Company in the initial filing of its next rate case to include testimony providing historical summary and discussion of the basis used for its pension cost request for ratemaking in each case, starting with the rate case filed prior to the merger forming Xcel Energy, Inc., and for each case filed since the merger. The overview shall discuss both its electric and gas rate case filings. The Company's discussion shall include explanation of its rationale for changing the basis of test-year pension cost request from one case to the next. The Company shall also provide a comparison between the calculated financial pension cost amount (ACM/FAS 87) and actual cash contribution amounts, on a total company and jurisdictional basis, from 1992 to current year.

B. Retiree Medical Expenses (FAS 106)

1. Retiree Medical 2008 Market Loss

a) Adopt the Department's recommendation and reduce the 2008 Market Loss amortized amount included in the retiree medical benefit cost by 50-percent.

2. Retiree Medical Discount Rate

a) Determine that the discount rate used to calculate retiree medical benefit costs for ratemaking purposes shall be set to equal 7.11 percent, the weighted average expected return on assets (EROA) of the postretirement benefit fund.

3. Optional Levelized Ratemaking

DOC does not oppose Staff's alternative:

a) Approve the retiree medical benefit cost level in rates that is the calculated average of the annual projected benefit cost over the expected rate life (Xcel expects a two-year rate case life3). Each year's projected cost amount subject to averaging is to be calculated using the Commission-approved assumptions and the most proximate measurement date applicable to each year. Direct the Company to provide schedules for each year's retiree medical benefit cost calculation within 10 days of the Commission's decision to assist in preparation of the Order.

4. Optional Future Filing Requirement

a) Direct the Company in the initial filing of its next electric rate case to discuss the cost components of the postretirement benefits plans cost (other than pensions) affecting Minnesota rates, particularly the drivers of the amortization of net gain/loss amount and the reasons this component amount has varied since its last rate case (E-002/GR-13-868).

b) Direct the Company in the initial filing of its next electric rate case to provide the report of future years' actuarial cost projections of the postretirement benefits (other than pensions), clearly identifying the assumptions and measurement point used to develop these projections.

C. Paid Leave/Total Labor (2014)

2. Adopt the Department's recommended $5.6 million reduction to the Company's jurisdictional total labor test year cost.

D. Corporate Aviation Costs (2014)

The Department did not file testimony on this issue.

E. Pleasant Valley and Border Winds (2015 Step)

1. Recovery Approach

Preferred

a) Determine that cost recovery for the Pleasant Valley and Border Winds facilities shall be reflected in base rates;

c) If base rate recovery, then consider the following:

(1) Direct the Company to include in base rates the Production Tax Credits associated with the operation of the Pleasant Valley and Border Winds facilities, in the amount disclosed in non-public Exhibit 432, Schedule NAC-7, which reduces the 2015 Step revenue requirement by $11.093 million. Permit true-up of the Production Tax Credits for these facilities in the Renewable Energy Standard Rider.

(2) Decide that the Pleasant Valley and Border Winds facilities rate base is to be determined using the average of the beginning- and end-of-year plant balances (consistent with other capital treatment);

Alternative

b) Determine that cost recovery for the Pleasant Valley and Border Winds facilities shall be reflected in the Renewable Energy Standard (RES) Rider and modify ALJ Finding 586 to read: (MCC, not opposed: Xcel, DOC)

d) If RES Rider recovery, then consider the following:

(1) Clarify that the recoverable Pleasant Valley and Border Winds project costs through the Renewable Energy Standard Rider may begin with these projects' 2015 revenue requirements and that Xcel shall not include project activity from prior years in the rider. (Staff)

(2) Direct the Company to adjust Construction Work in Progress and other rate case components to remove the Pleasant Valley and Border Winds project costs from base rates. (Staff)

(3) Direct the Company in its next rate case filing to include the Pleasant Valley and Border Winds projects in base rates and to adjust the Renewable Energy Standard Rider accordingly.

2. Future Reporting Requirements

a) Require the Company to notify the Commission and to report and capture potential cost reductions or other forms of compensation that may be granted to Xcel Energy due to contract changes or contractors' failure to meet contract terms for either the Pleasant Valley or the Border Wind projects. Clarify that such cost reductions and compensation payments will be subject to Commission review for potential credits or refunds to ratepayers.

F. Annual Incentive Compensation Plan

1. Determine that the Company has adequately complied with Order Point 30 issued in the prior electric rate case (Order issued September 3, 2013 in Docket No. E-002/GR-12-961)

3. Direct the Company in its future rate cases to provide Annual Incentive Program (Plan) documents when rate recovery is sought.

G. FERC Cost Comparison Study – KPI Benchmarks

The Department did not file testimony on this issue.

H. Transmission Business Area –Cost Controls

The Department did not file testimony on this issue.

I. Active Health Care and Welfare Costs – Resolved

1. Direct the Company in its next rate case to provide historical active health care costs since 2011 for each calendar year, including both the per book amount and the actual claims expense. The Company shall include information detailing the annual year-end Incurred But Not Reported (IBNR) accruals and subsequent reversals.

J. Resolved Financial Issues (Vol. II)

1. Post-Employment Benefits - Long-Term Disability and Workers' Compensation (FAS 112) (2014) - Parties agreed on a $421,463 reduction in revenue requirements (the combined effect of the O&M and capital adjustments).

2. Nuclear Cash-Based Retention Program (2014) - Parties agreed on a $516,466 reduction in revenue requirements.

3. Withdrawal of the Hollydale Transmission Project (2014) - Parties agreed on a $388,000 rate base reduction which results in a $43,000 reduction in the revenue requirement.

4. Big Stone Brookings Cost Correction (2014) - Parties agreed on a $145,000 reduction in revenue requirements and a $299,000 increase in rate base.

5. Bargaining Unit Wage Increase Correction (2014) - Parties agreed on a $405,000 reduction in revenue requirements.

III. COST OF CAPITAL (VOLUME III)

A. Capital Structure Alternatives

1. Use the Company's proposed capital structure comprised of 52.50 percent common equity, 45.60 percent long-term debt, and 1.90 percent short-term debt for 2014 and 52.50 percent common equity, 45.61 percent long-term debt, and 1.89 percent short-term debt for 2015.

B. Cost of Debt Alternatives

1. Long-Term Debt

a) Adopt XCEL's proposed cost of long-term debt of 4.90 percent for 2014.

b) Adopt XCEL's proposed cost of long-term debt of 4.94 percent for 2015.

2. Short-Term Debt

a) Adopt XCEL's proposed cost of short-term debt of 0.62 percent for 2014.

b) Adopt XCEL's proposed cost of short-term debt of 1.12 percent for 2015.

C. Cost of Equity Alternatives

1. Comparable Groups

While DOC does not believe it is necessary for the Commission to make any explicit finding on this issue, options (a) and (b) would be acceptable.

2. Weighting of Comparable Groups

While DOC does not believe it is necessary for the Commission to make any explicit finding on this issue, option (a) would be acceptable.

3. Method of Determining Cost of Equity

a) Models

While DOC does not believe it is necessary for the Commission to make any explicit finding on this issue, option (1) would be acceptable.

b) Decisions in Other Jurisdictions

While DOC does not believe it is necessary for the Commission to make any explicit finding on this issue, option (2) would be acceptable.

4. Growth Rate

a) Source of Growth Rate Estimate

(3) Make no finding regarding the number of sources necessary to determine the growth rate to use in the DCF.

b) Factors for Determining the Growth Component

(1) Determine that the record supports the use of the EPS growth rate as the most appropriate factor to estimate the growth rate component for the DCF model in this proceeding.

Option (3) would also be acceptable

5. Dividend Yield

(a) or (e):

a) Determine that, to avoid irrelevant historical prices and short-term aberrations in the capital market, it is appropriate use recent closing prices, such as 30 days, to calculate the dividend yield for a discounted cash flow analysis in this proceeding. (DOC)

   If the Commission makes this determination it may want to consider the Department's proposed modifications to Findings 380 and 382.

e) Make no determination.

6. Flotation Cost

(c) or (a):

c) Find that the flotation cost adjustment of 2.926 percent used by the Department and Xcel is appropriate.

a) Make no specific determination regarding flotation costs.

7. Effects of a Multi-Year Rate Plan

d) Take no action.

8. Cost of Equity

c) Adopt the Department's recommended cost of equity of 9.64 percent. If the Commission adopts the Department's recommendation it may want to adopt the Department's recommended changes to Finding 373 and 385.

9. Adjustment for Decoupling

a) Determine that there does not need to be an adjustment to the ROE if the Commission approves a decoupling mechanism.

10. Adjustment for CWIP

(c) or (a):

c) Make no finding.

a) Find that there does not need to be an adjustment to the Company's ROE to reflect the amount of CWIP included in rate base.

D. Overall Cost of Capital

4. Adopt an overall cost of capital of 7.31 percent for 2014 and 7.34 for 2015 as recommended by the Department.

IV. SALES FORECAST AND CLASS COST OF SERVICE

A. Sales Forecast

1. Adopt the weather-normalized sales data in the January 16, 2015 compliance filing for rate-making purposes.

B. Class Cost of Service Study

1. Classification of Fixed Production Plant - Plant Stratification Method versus Straight Fixed Variable Method

a) Adopt the ALJ's conclusion - the Company's continued use of the Plant Stratification method is reasonable.

2. Classification of Fixed Production Plant - Proposed Modifications to the Plant Stratification Method

a) Adopt the ALJ's conclusion – do not accept modifications to the Plant Stratification Method.

3. Classification of Nobles and Grand Meadow Wind Facilities' Costs

a) Adopt the ALJ's findings and recommendation. (Find the Company's use of the Plant Stratification method for the proper classification and allocation of the Company's production plant, including costs of Company-owned wind generation. The application of the Plant Stratification method to wind generation continues to be the most reasonable alternative shown in the record. Require the Company to modify its 2014 and 2015 Step CCOSSs to classify the costs of the Grand Meadow and Nobles wind farms on the same basis as its other fixed production plant costs using the Plant Stratification method.)

4. **Updating of Fixed Production Plant Cost Data**

   a) Adopt the ALJ's finding and recommendation and require Xcel to update its CCOSS results using 2013 cost data for Pleasant Valley and Border Winds as well as for all other production plant costs in its Plant Stratification analysis.

5. **Use of the D10S Capacity Allocator for Allocating the Capacity-Related Portion of Fixed Production Plant**

   The Department did not file testimony on this issue.

6. **Allocation of Other Production Operation and Maintenance (O&M) Costs**

   a) Adopt the ALJ's finding and recommendation and require the Company to modify its 2014 and 2015 CCOSSs to use the Location method rather than the Predominant Nature method.

7. **Use of the Minimum Distribution System**

   The Department did not file testimony on this issue.

8. **Allocation of Economic Development Discounts**

   b) Adopt the OAG's exception presented above. (The proposal of the OAG and the DOC to allocate cost of economic discounts on the basis of a straight kWh energy allocator is the most reasonable of the three proposals for allocating the cost of economic discounts because the discounts benefit all customers. This proposal recognizes that the costs of providing these economic discounts are caused by the amount of energy consumed by large customers.)

9. **Allocation of Interruptible Rate Discounts**

   a) Adopt the ALJ's recommendation. (XLI has brought forward no new evidence or argument to support a finding that the Company's treatment of interruptible service credits is unreasonable. Therefore, the Administrative Law Judge recommends that the Commission reject XLI's proposed change to the allocation of interruptible rate discounts.)

V. REVENUE DECOUPLING (VOLUME V)

A. Implementation of Decoupling Mechanism

3. Approve Xcel's proposed RDM with modifications

B. Design of Decoupling Mechanism

1. Three-Year Pilot vs. Ongoing Program

a) Approve Xcel's RDM as a three-year Pilot

2. RDM Billing Rate Increases if Xcel Fails to Achieve Energy Savings Equal to 1.2 Percent of Retail Sales

a) Do not allow RDM billing rate increases if Xcel fails to achieve energy saving equal to 1.2 percent of retail sales

3. Full vs. Partial Decoupling

b) Modify Xcel's proposed partial RDM to be a full RDM.

4. CAP on RDM Billing Rate Increase – Type and Size

a) Approve a cap on RDM billing rate increases as a percentage of base revenues, excluding fuel and all applicable riders

5. Type of Cap – Hard Cap vs. Soft Cap

a) Approve a hard cap on RDM Billing Rate Increases

6. Size of Cap

b) Approve a 3% cap;

7. Calculation

b) Take no action

8. Customer Protections (AARP Proposals)

b) Take No Action

VI. RATE DESIGN (VOLUME VI)

A. Class Revenue Requirement Apportionment

1 or 5.

1. Adopt the ALJ's recommendation to use the Department's recommended class revenue apportionment with the modifications described in paragraph 776 of the ALJ's Report.

5. Reject the ALJ's recommendation and adopt the Department's recommended class revenue apportionment as set forth in its Surrebuttal testimony.

B. Revenue Requirement Apportionment Adjustment Calculation
1. If the Commission alters Xcel's requested revenue requirement, adjust the class revenue apportionment using the formula described in Exhibit 105 (Huso Direct).

C. Customer Charge

2. Reject the ALJ's recommendation and increase the customer charge for both Residential and Small General Service customers by $0.50.

D. Interruptible Service Discount

2. Adopt the ALJ's recommendation to increase the Level C Performance Factor interruptible service discounts by three percent, and institute corresponding increases for the other performance factors to maintain the current relationship between tiers.

E. Inclining Block Rate

Either 1 or 2.

1. Adopt the ALJ's recommendation to approve the process outlined in the IBR Stipulation Agreement (Exhibit 135) with the modifications suggested in paragraph 841 of the ALJ's report.

2. Reject the ALJ's recommendation and approve the process outlined in the IBR Stipulation Agreement (Exhibit 135).

F. Coincident Peak Billing

The Department supported Xcel's proposed tariff and thus recommends 1.
1. Adopt the ALJ recommendation to deny MCC's proposal for coincident peak billing.

G. Definition of Contiguous Property

The Department did not file testimony on this issue.

H. Renewable Energy Purchase Options

The Department did not file testimony on this issue.

I. Definition of On-Peak Period

The Department supported Xcel's proposed tariff and thus recommends 1.

1. Adopt the ALJ recommendation to deny the XLI proposal to modify the definition of "on-peak period" as currently applied in the Company's time-of-use tariffs.

J. Conservation Cost Recovery Charge (CCRC) and the CIP Adjustment Factor

2. Adopt the ALJ finding that the record of the case supports the resolution of this issue as agreed to by Xcel and the DOC.

3. If the Commission adopts the ALJ's finding on this issue, require Xcel to include an explanation of the increase in the CCRA in its customer notice of new rates.

K. Rate Shock

1. Adopt the ALJ's finding in paragraph 635 to deny the ICI Group's request to reject an increase to Xcel Energy's revenue requirement.

L. Resolved Issues Requiring Commission Action

1. Windsource Rider Decision Alternative

    a) Require Xcel Energy to not change historical data in Windsource and FCA filings without identifying and providing a justification for the changes.

    b) Require Xcel Energy to clarify in each FCA and Windsource filing what costs are included in the Windsource Contract Payments.

2. Standby Service Tariff Decision Alternative

    a) Require Xcel Energy to address the issues raised by Mr. Schedin in his testimony in this case as part of the Commission's generic proceeding on standby service (in Docket No. E-999/CI-15-115).

M. Resolved Issues and Undisputed Corrections

1. Low-Income Discount Program
2. of Economic Development Discounts
3. Nuclear Disposal Fees (2014)
4. Time-of-Day Energy Charges/Energy Charge Credit
5. Firm Service Demand Charges
6. Voltage Discounts

7. Base Energy Charges for the C&I Demand Class
8. DG Tariff Change
9. Low-Income Renter Conservation Program

VII. FINANCIAL (VOLUME VII)

A. Recovery of the Prairie Island EPU Costs

1. Allow the Company to recover the $78.9 million cost over the 20.3 year life of the plant with a debt return of 2.24%.

B. Babcock & Wilcox Nuclear Energy, Inc. Lawsuit Information Requests

1. Direct Xcel to provide the OAG with the contracts as requested in IR 642.

2. Direct Xcel to provide the OAG with the relevant sections of the contracts that would govern the interest charges.

3. Direct Xcel to provide discussion and analysis on these interest charges in the first rate case it requests recovery of the interest charges.

4. Require Xcel to make a compliance filing providing all relevant information as to costs and interest paid to BWNE once the lawsuit is resolved and discuss what costs were included as plant in service in the current rate case.

Disputed $46 Million in Rate Base

8. Require that any costs included in rate base but not paid be refunded as part of either the 2014 or 2015 refunds. If the lawsuit is not resolved at either of those times, then the refund should be made within 60 days after the lawsuit is resolved.

Refund Plan

9. Require Xcel to work with~~,~~ the Department, the OAG and any other interest party to develop the details and procedures of a refund plan for the MYRP that is consistent with the requirement to identify any capital projects included in the MYRP that are canceled or postponed, and file a proposal within 30 days to adjust current rates and refund any costs already collected. Require that a compliance filing describing the resulting plan be made within 45 days of the Order in this docket.

C. Nuclear Refueling Cost Amortization (2015 Step)

1. Determine that no adjustment is required in the 2015 step for the $5.5 million reduction in nuclear refueling outage cost in 2015.

D. MYRP: Rate Moderation Proposal – DOE Settlement Funds (2015 Step)

1. Allow Xcel to use the excess of the 2013 and 2014 DOE settlement payments over the 2013 and 2014 decommissioning accruals of $27,843,837 to moderate the rate increase for the 2015 step.

E. CWIP/AFUDC

The Department did not file testimony on this issue.

F. Return on Nuclear Refueling Outage (NRO) Costs

The Department did not file testimony on this issue.

G. Nuclear Theoretical Depreciation Reserve

1. Do not amortize the difference between the actual and theoretical depreciation reserves for the nuclear plant and allow the difference to self-correct over the life of the plant.

H. MYRP in General

The Department did not file testimony on this issue.

I. Rate Moderation Proposal – TDG Theoretical Depreciation Reserve Surplus

Preferred

2. Approve accelerated usage of the Theoretical Depreciation Reserve split as a rate moderation tool in this case and determine that the 50/40/10 split should be used.

Alternate

1. Approve accelerated usage of the Theoretical Depreciation Reserve split as a rate moderation tool in this case and determine that the 50/30/20 split should be used.

J. Depreciation and Plant Retirements in the 2015 Step – Passage of Time (2015 Step)

2. To reflect 2015 capital retirements of transmission and distribution facilities, find that a 2015 Step Year reduction adjustment of $535,552 is required.

3. To reflect 2015 changes in depreciation due to the passage of time, find that a 2015 Step Year reduction adjustment of $17.53 million is required.

K. Changes to In-Service Dates for Capital Projects (2014 and 2015 Step)

2. Deny inclusion of all 2014 Test Year and 2015 Step Year replacement projects.

L. Xcel's Interim Rate Proposal

The Department recommends that the Commission consider the Department's letters filed on January 13 and 16, 2015.

M. Interest Rate on Interim Rates Refund

The Department did not file testimony on this issue.

N. Fuel Cost Recovery Reform

1. Determine that Fuel Cost Recovery Reform decisions should be made in the AAA docket.

O. Sherco 3 Outage – Replacement Fuel Costs

1. Find that recovery of the Sherco 3 Outage's Replacement Fuel Costs should be addressed in the AAA docket.

P. Black Dog Units 2 and 5 Outage Costs

The Department did not file testimony on this issue.

VIII. GENERAL HOUSEKEEPING & COMPLIANCE ISSUES

The Department supports all of the recommended items.

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

Minnesota Department of Commerce
Decision Options

Docket No. **E002/GR-13-868**

Dated this 20th day of March 2015

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Christopher	Anderson	canderson@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022191	Electronic Service	No	OFF_SL_13-868_Official
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_13-868_Official
Alison C	Archer	alison.c.archer@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 5 Minneapolis, MN 55401	Electronic Service	Yes	OFF_SL_13-868_Official
Ryan	Barlow	Ryan.Barlow@ag.state.mn.us	Office of the Attorney General-RUD	445 Minnesota Street Bremer Tower, Suite 1400 St. Paul, Minnesota 55101	Electronic Service	Yes	OFF_SL_13-868_Official
James J.	Bertrand	james.bertrand@leonard.com	Leonard Street & Deinard	150 South Fifth Street, Suite 2300 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-868_Official
William A.	Blazar	bblazar@mnchamber.com	Minnesota Chamber Of Commerce	Suite 1500 400 Robert Street North St. Paul, MN 55101	Electronic Service	No	OFF_SL_13-868_Official
Michael	Bradley	mike.bradley@lawmoss.com	Moss & Barnett	150 S. 5th Street, #1200 Minneapolis, MN 55402	Electronic Service	Yes	OFF_SL_13-868_Official
James	Canaday	james.canaday@ag.state.mn.us	Office of the Attorney General-RUD	Suite 1400 445 Minnesota St. St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_13-868_Official
Aakash	Chandarana	Aakash.Chandara@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 5 Minneapolis, MN 55401	Electronic Service	Yes	OFF_SL_13-868_Official
Jeanne	Cochran	Jeanne.Cochran@state.mn.us	Office of Administrative Hearings	P.O. Box 64620 St. Paul, MN 55164-0620	Electronic Service	Yes	OFF_SL_13-868_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
John	Coffman	john@johncoffman.net	AARP	871 Tuxedo Blvd. St, Louis, MO 63119-2044	Electronic Service	No	OFF_SL_13-868_Official
Jeffrey A.	Daugherty	jeffrey.daugherty@centerpointenergy.com	CenterPoint Energy	800 LaSalle Ave Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-868_Official
James	Denniston	james.r.denniston@xcelenergy.com	Xcel Energy Services, Inc.	414 Nicollet Mall, Fifth Floor Minneapolis, MN 55401	Electronic Service	Yes	OFF_SL_13-868_Official
Ian	Dobson	ian.dobson@ag.state.mn.us	Office of the Attorney General-RUD	Antitrust and Utilities Division 445 Minnesota Street, 1400 BRM Tower St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_13-868_Official
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500 Saint Paul, MN 551012198	Electronic Service	Yes	OFF_SL_13-868_Official
Stephen	Fogel	Stephen.E.Fogel@XcelEnergy.com	Xcel Energy Services, Inc.	816 Congress Ave, Suite 1650 Austin, TX 78701	Electronic Service	No	OFF_SL_13-868_Official
Benjamin	Gerber	bgerber@mnchamber.com	Minnesota Chamber of Commerce	400 Robert Street North Suite 1500 St. Paul, Minnesota 55101	Electronic Service	Yes	OFF_SL_13-868_Official
Michael	Hoppe	il23@mtn.org	Local Union 23, I.B.E.W.	932 Payne Avenue St. Paul, MN 55130	Electronic Service	No	OFF_SL_13-868_Official
Tiffany	Hughes	Regulatory.Records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7 Minneapolis, MN 554011993	Electronic Service	Yes	OFF_SL_13-868_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Alan	Jenkins	aj@jenkinsatlaw.com	Jenkins at Law	2265 Roswell Road Suite 100 Marietta, GA 30062	Electronic Service	No	OFF_SL_13-868_Official
Linda	Jensen	linda.s.jensen@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota Street St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_13-868_Official
Richard	Johnson	Rick.Johnson@lawmoss.com	Moss & Barnett	150 S. 5th Street Suite 1200 Minneapolis, MN 55402	Electronic Service	Yes	OFF_SL_13-868_Official
Sarah	Johnson Phillips	sjphillips@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-868_Official
Mark J.	Kaufman	mkaufman@ibewlocal949.org	IBEW Local Union 949	12908 Nicollet Avenue South Burnsville, MN 55337	Electronic Service	No	OFF_SL_13-868_Official
Thomas G.	Koehler	TGK@IBEW160.org	Local Union #160, IBEW	2909 Anthony Ln St Anthony Village, MN 55418-3238	Electronic Service	No	OFF_SL_13-868_Official
Mara	Koeller	mara.n.koeller@xcelenergy.com	Xcel Energy	414 Nicollet Mall 5th Floor Minneapolis, MN 55401	Electronic Service	No	OFF_SL_13-868_Official
Michael	Krikava	mkrikava@briggs.com	Briggs And Morgan, P.A.	2200 IDS Center 80 S 8th St Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-868_Official
Ganesh	Krishnan	ganesh.krishnan@state.mn.us	Public Utilities Commission	Suite 350121 7th Place East St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_13-868_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Peder	Larson	plarson@larkinhoffman.com	Larkin Hoffman Daly & Lindgren, Ltd.	8300 Norman Center Drive Suite 1000 Bloomington, MN 55437	Electronic Service	No	OFF_SL_13-868_Official
Douglas	Larson	dlarson@dakotaelectric.com	Dakota Electric Association	4300 220th St W Farmington, MN 55024	Electronic Service	No	OFF_SL_13-868_Official
John	Lindell	agorud.ecf@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_13-868_Official
Paula	Maccabee	Pmaccabee@justchangelaw.com	Just Change Law Offices	1961 Selby Ave Saint Paul, MN 55104	Electronic Service	No	OFF_SL_13-868_Official
Peter	Madsen	peter.madsen@ag.state.mn.us	Office of the Attorney General-DOC	Bremer Tower, Suite 1800 445 Minnesota Street St. Paul, Minnesota 55101	Electronic Service	Yes	OFF_SL_13-868_Official
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E St. Paul, MN 55106	Electronic Service	No	OFF_SL_13-868_Official
Mary	Martinka	mary.a.martinka@xcelenergy.com	Xcel Energy Inc	414 Nicollet Mall 7th Floor Minneapolis, MN 55401	Electronic Service	Yes	OFF_SL_13-868_Official
Connor	McNellis	cmcnellis@larkinhoffman.com	Larkin Hoffman Daly & Lindgren Ltd.	8300 Norman Center Drive Suite 1000 Minneapolis, MN 55437	Electronic Service	No	OFF_SL_13-868_Official
Brian	Meloy	brian.meloy@stinsonleonard.com	Stinson,Leonard, Street LLP	150 S 5th St Ste 2300 Minneapolis, MN 55402	Electronic Service	Yes	OFF_SL_13-868_Official
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	No	OFF_SL_13-868_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Andrew	Moratzka	apmoratzka@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	Yes	OFF_SL_13-868_Official
David W.	Niles	david.niles@avantenergy.com	Minnesota Municipal Power Agency	Suite 300 200 South Sixth Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-868_Official
Kevin	Reuther	kreuther@mncenter.org	MN Center for Environmental Advocacy	26 E Exchange St, Ste 206 St. Paul, MN 551011667	Electronic Service	Yes	OFF_SL_13-868_Official
Richard	Savelkoul	rsavelkoul@martinsquires.com	Martin & Squires, P.A.	332 Minnesota Street Ste W2750 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_13-868_Official
Janet	Shaddix Elling	jshaddix@janetshaddix.com	Shaddix And Associates	Ste 122 9100 W Bloomington Frwy Bloomington, MN 55431	Electronic Service	Yes	OFF_SL_13-868_Official
Ken	Smith	ken.smith@districtenergy.com	District Energy St. Paul Inc.	76 W Kellogg Blvd St. Paul, MN 55102	Electronic Service	No	OFF_SL_13-868_Official
Ron	Spangler, Jr.	rlspangler@otpco.com	Otter Tail Power Company	215 So. Cascade St. PO Box 496 Fergus Falls, MN 565380496	Electronic Service	No	OFF_SL_13-868_Official
Byron E.	Starns	byron.starns@leonard.com	Leonard Street and Deinard	150 South 5th Street Suite 2300 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-868_Official
James M.	Strommen	jstrommen@kennedy-graven.com	Kennedy & Graven, Chartered	470 U.S. Bank Plaza 200 South Sixth Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-868_Official
Eric	Swanson	eswanson@winthrop.com	Winthrop Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_13-868_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Kari L	Valley	kari.l.valley@xcelenergy.com	Xcel Energy Service Inc.	414 Nicollet Mall FL 5 Minneapolis, MN 55401	Electronic Service	Yes	OFF_SL_13-868_Official
Lisa	Veith	lisa.veith@ci.stpaul.mn.us	City of St. Paul	400 City Hall and Courthouse 15 West Kellogg Blvd. St. Paul, MN 55102	Electronic Service	No	OFF_SL_13-868_Official
Samantha	Williams	swilliams@nrdc.org	Natural Resources Defense Council	20 N. Wacker Drive Ste 1600 Chicago, IL 60606	Electronic Service	No	OFF_SL_13-868_Official
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_13-868_Official
Patrick	Zomer	Patrick.Zomer@lawmoss.com	Moss & Barnett a Professional Association	150 S. 5th Street, #1200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-868_Official